

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor - Controller	(2) MEETING DATE 12/6/2011	(3) CONTACT/PHONE Kerry Bailey 788-2979/Matt Purkiss 781-5099	
(4) SUBJECT Submittal of the annual Transit Occupancy Tax Fiscal and Compliance review report of establishments subject to the County Transient Occupancy Tax Ordinance for calendar year 2010.			
(5) RECOMMENDED ACTION It is recommended that the Board receive and file the Transient Occupancy Tax Fiscal and Compliance Review.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$25,102.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(14) W-9 <input checked="" type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP N/A	(16) BUSINESS IMPACT STATEMENT? No	(17) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date 12/07/2010	
(18) ADMINISTRATIVE OFFICE REVIEW			
(19) SUPERVISOR DISTRICT(S) All Districts			

County of San Luis Obispo



TO: Board of Supervisors

FROM: Gere W. Sibbach, Auditor-Controller

DATE: 12/6/2011

SUBJECT: Submittal of the annual Transit Occupancy Tax Fiscal and Compliance review report of establishments subject to the County Transient Occupancy Tax Ordinance for calendar year 2010

RECOMMENDATION

It is recommended that the Board receive and file the Transient Occupancy Tax Fiscal and Compliance Review.

DISCUSSION

Section 7280 of the California Revenue and Taxation Code authorizes the County to levy a Transient Occupancy Tax (TOT) on transients lodging in the unincorporated area for 30 days or less. The Property and Business Improvement District Law of 1994 authorizes the levy of assessments upon businesses that benefit from Business and Improvement Districts. The County ordinance providing for the establishment of the San Luis Obispo County Tourism Business Improvement District (SLOCTBID) and the assessment of a fee for all lodging establishments within the boundaries of the district became effective July 1, 2009. The purpose of the assessment is to promote tourism within the district. The ordinance is subject to an annual review and the funds collected are distributed on behalf of the SLOCTBID Steering Committee.

Currently the County collects a 9% TOT from 832 establishments throughout the unincorporated area and an additional 2% SLOCTBID assessment from 723 establishments located within the district.

The purpose of our review was to determine the accuracy of the TOT and SLOCTBID assessments remitted to the County and verify that the tax and assessment were calculated in accordance with Chapters 3.08 and 3.09 of the San Luis Obispo County Code. In addition, we verified the existence and posting of registration certificates and business licenses.

We have attached our report and Summary of Monetary Audit Findings issued to the Treasurer-Tax Collector on November 15, 2011.

OTHER AGENCY INVOLVEMENT/IMPACT

A separate report of each audited establishment and a comprehensive report were issued to the Treasurer-Tax Collector. The Treasurer-Tax Collector is responsible for the administration of the TOT & SLOCTBID ordinances and the enforcement of all audit findings and recommendations.

FINANCIAL CONSIDERATIONS

The County collected \$5,802,353 in TOT and \$1,228,718 in SLOCTBID assessments during calendar year 2010.

RESULTS

We reviewed sixteen selected establishments. During the course of our review we identified \$25,102 in TOT, SLOCTBID, penalties, and interest due to the County. We also found the establishments to be generally in compliance with obtaining and posting the required certificates and licenses.

We were unable to obtain accounting records from one establishment previously in receivership and currently in bankruptcy and could not perform a review of the actual taxable revenue for Calendar Year 2010. At the request of the Treasurer-Tax Collector we prepared a schedule of estimated taxable revenue and calculated the likely amount of transient occupancy tax due. In conducting our analysis, we compared the revenue submitted by the establishment for monthly TOT returns and monthly revenue reported on a loan application, as well as deposits identified in bank statements. These records were obtained as a result of the bankruptcy.

Based on our estimates, the operator may have understated room revenues for calendar year 2010, and as a result under paid Transient Occupancy Tax by \$108,838. The Tax Collector is pursuing collection through the bankruptcy court.

Annual fiscal and compliance reviews of TOT and SLOCTBID assessments are one of the tools used in cooperation with the Treasurer-Tax Collector to monitor receipts of tax and assessments in the unincorporated area. Annual tax and assessment monitoring activities help maintain reporting accountability and contribute to the County's vision of a prosperous and well governed community.

ATTACHMENTS

1. TOT Department Memo 2010